Notice of meeting

Audit Committee

Date: Thursday 26 June 2014

Time: 7.30 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames

To the members of the Audit Committee

Councillors:

M.J. Madams (Chairman)	D. Gohil	A.C. Patterson
A.C. Harman (Vice-Chairman)	D. Patel	C.V. Strong
J.A. Dale		

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose
To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process

Core Functions
(a)   To approve (but not direct) the internal audit's strategy, plan and performance.
(b)   To review summary internal audit reports and the main issues arising, and to seek assurance that action has been taken where necessary.
(c)   To consider the reports of external audit and inspection agencies.
(d)   To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
(e)   To be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and to take actions required to improve it.
(f)   To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
(g)   To review the financial statements, external auditors opinion and reports to members, and monitor management action in response to the issues raised by external audit.

AGENDA

1. Apologies

To receive any apologies for non-attendance.

2. Minutes

To confirm the minutes of the meeting held on 20 May 2014 (copy attached).   1 - 2

3. Disclosures of Interest

To receive any disclosures of interest from members in accordance with the Council's Code of Conduct for members.

4. Corporate Risk Management - Performance Management Arrangements

The Assistant Chief Executive, Lee O'Neil, will address the Committee in relation to Performance Management arrangements.

5. Corporate Risk Management

To receive a report from the Assistant Chief Executive (copy attached).   3 - 19

6. Internal Audit Annual Report

To receive a report from the Head of Audit Services (copy attached).   20 - 27

7. Committee Work Programme 2014/2015

The Committee is requested to consider and approve its work programme for the Municipal Year 2013/14 (copy attached).   28 - 29

Minutes of the Audit Committee
20 May 2014

Present:

Councillors:

D. Gohil   D. Patel

A.C. Harman   A.C. Patterson

M.J. Madams

Apologies: Councillor C.V. Strong

129/14   Appointment of Chairman

Resolved that Councillor M.J. Madams be appointed Chairman of the Audit Committee for the Municipal Year 2014/2015.

130/14   Minutes

The minutes of the meeting held on 27 March 2014 were approved as a correct record.

131/14   Appointment of Vice-Chairman

Resolved that Councillor A.C. Harman be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2014/2015.

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Audit Committee

26 June 2014

Title	Corporate Risk Management		
Purpose of the report	To note		
Report Author	Deanna Harris – Head of Audit Partnership		
Cabinet Member	Councillor Tim Evans	**Confidential**	No
Corporate Priority	N/A		
Cabinet Values	N/A		
Recommendations	That the Committee notes the report.		

Key issues

1.1   The Corporate Risk Register ensures key risks are identified, managed and monitored. Management Team has reviewed the Corporate Risk Register (**Appendix 1**).

1.2   Significant issues to report are:

(a)   **Housing -** There is a continual increase of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge this duty. Matters have been compounded further recently through planning enforcement against our main bed and breakfast provider resulting in 16 households having to be moved. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this, an "Advisor" has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency is due to be submitted to Cabinet. In addition MAT is supportive of quickly filling any posts which become vacant in the Housing Options team.

(b)   **Emergency Planning** - An internal review has been undertaken into response to major flooding with a set of recommendations that have been agreed by Cabinet. These are being progressed by the Risk and Resilience Manager. Spelthorne have been part of a multi-agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum.

(c) **Project Management** – There are currently 32 ongoing projects which the Council is committed to. It is important that the Council's Management Team ensures project documentation is completed so that the resource implications can be determined and agreed control processes adhered to. Management Team and Members will need to monitor the Council's capacity to deliver the current programme of projects. Proposals for new projects should be subject to full analysis as to whether they are aligned to the Council's priorities and how they are to be resourced.

(d) **Information Governance** – Further work is required to progress the action plan to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. The Head of Corporate Governance will now be attending Audit Committee in September 2014 to provide some background and plans to address this risk.

(e) **Resilience for key staff** – Management Team are continuing to address and monitor critical areas where there are high levels of dependency on individual members of staff.

(f) **Performance Management -** The Assistant Chief Executive (LO) will be attending Audit Committee to explain the Council's performance management framework.

(g) **Grounds Maintenance –** Internal Audit reported on the lack of horticultural expertise within the Council and the potential weakness in grounds maintenance contract management arrangements. The Head of Streetscene attended the last Audit Committee to explain how she is undertaking some training in order to help to address this gap.

(h) **Health and Safety** - An inspection regime for parks and open spaces needs to be fully implemented to satisfy insurance requirements. This has not been fully implemented because of staff shortages. The Head of Streetscene and Head of Sustainability and Leisure are currently considering this matter.

Options analysis and proposal

Either:

i. To note and accept the contents of the Corporate Risk Register. The revised register is considered to be an accurate reflection of the high level risks affecting the Authority, as well as the progress made on actions previously proposed, based on our assessment of risk and controls in operation. (**Preferred option)**

Or:

ii. To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

Financial implications

1.3   Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets.

Other considerations

1.4   The Corporate Risk Register covers a wide range of risk categories such as technology/infrastructure/operations, financial, environmental, legal, contractual, economic/social, and personnel. Proposals set out in the Corporate Risk Register should improve overall risk management arrangements across the Authority, which supports all corporate priorities.

1.5   There are potential legal consequences should the risks identified not be addressed adequately. The purpose of the Risk Register is in part to avoid such consequences.

Timetable for implementation

1.6   The Corporate Risk Register shows officers responsible for progressing actions, together with timescales for implementation. The register is reviewed and updated quarterly by Audit Services.

Background papers: There are none.

Appendices: Appendix 1 – Corporate Risk Register

Appendix 1

This Register summarises significant risks faced by the Council in relation to achieving the objectives and priorities as set out in the Council's corporate plan.
It sets out controls in place and identifies any further action needed to mitigate risks.
Actions are assigned to appropriate officers with target dates for implementation.

Reviewed March 2014

Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	1. Health and Safety failing resulting in death or serious injury to staff /public and legal action against the Council	4	Policies and SHE (Safety Health and Environment) system in place. The SHE System is being upgraded by SHE Software, the new system will have better functionality for both the general user and Managers. The Health and Safety policy has been reviewed and approved by UNISON. Managers conduct regular risk assessments. The annual review of Risk Assessments, DSE Assessments, Office Safety inspections will be going out to managers at the end of June. Some Services have already undertaken these. Induction training for staff is undertaken with all staff on joining - a program of Induction refresher seminars is being organised with each service. Health and Safety Officer regularly updates Members and officers. There will be a session at the next Managers Briefing. Contracts let to manage Legionella and asbestos -The procedure for checking is being established with Runnymede BC Leased assets covered by health and safety procedure-New questionnaires need to be sent out to all tenanted assets again. Asset Management will be undertaking this.	The Head of Streetscene has confirmed that a paper based inspection regime for parks and open spaces has been implemented to satisfy insurance requirements. The Head of Streetscene, Head of Sustainability and Leisure, Health and Safety Officer and ACX (LB) will be meeting to discuss any further requirements.	MAT	Ongoing	The Head of Streetscene has attended an IOSH (Institute of Occupational Safety and Health) course run by the HSE (Health and Safety Executive) relative to contractors working on trees within parks.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land	4	Legal duty to inspect land and prioritise action. A separate risk assessment addresses contractual, financial/resources and legal/regulatory risks, and this is reviewed regularly. Reports have been issued to Management Team and Cabinet outlining financial and other risks.	*The Contaminated Land Strategy will be reviewed in 2014.*	ACX (LO)*	September 2013 (O) September 2014 (R)	
	3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Corporate Emergency Plan updated Oct 2013. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Yearly Borough Emergency Centre Plans. Incident management training and exercising. Updated Emergency Plan approved by Overview and Scrutiny November 2013.	*An internal review has been undertaken into response to major flooding with a set of recommendations that have been agreed by Cabinet. These are being progressed by Risk and Resilience Manager. Spelthorne has been part of a mutli agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum.*	ACX (LB)/ RRM (NM)*	Ongoing	An internal debrief has highlighted some potential improvements to internal response structures, particularly focused on increasing internal resilience and staff training. These are being progressed by the Risk and Resilience Manager. The corporate emergency plan is being updated as normal with no major changes required.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	4. Failure to manage corporate and service performance (Performance Management)	3	The Corporate Plan sets out targets for the authority which should be monitored by Members and Management Team. Service performance should be monitored by Management Team. Planned requirement for quarterly updates on performance from 2013/14, as well as annual performance review. Individual performance should be monitored through the appraisal process. Flagship project performance is reported to Management Team and Members.	*A new Performance Review template has been developed for each service. However, performance management arrangements need to be fully developed and implemented.*	MAT / ACX LO	Ongoing	A meeting is due to take place with the Leader and an update will be provided by ACX (LO)
	5. Failure to align service objectives to corporate aims / Failure to deliver services effectively due to poor service planning	3	Service plans should be derived from the Council's Corporate Plan and statutory/other responsibilities relating to services. Plans incorporate issues relating to resources, risks, workforce, significant projects and any relevant performance indicators.	*Service Plans need to be completed for 2014/15*	Service Heads/ MAT	Ongoing	
	6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate asset related/other projects.	3	Updated project management arrangements in place including process for project initiation, consideration of resources available to deliver, identification of project risks and progress reporting processes. Project management support strengthened with Corporate Project officers in place. Programmed management improved for Staines upon Thames developments and Housing projects. A number of projects have been successfully delivered.	*1. Asset Management is a corporate priority and many of the Council's projects are asset related – this area will need to be kept under review.*	MAT	Ongoing	March 2014: Council has approved additional funding of £450,000 as part of 2014-15 budget to support delivery of town centre developments
				2. Consideration will need to be given to the implications of the recent flooding of the area on the viability of developments in Staines town centre	MAT	Ongoing	This has been discussed with Council's property advisers. Development sites being considered have flood risk assessment. Advisers view that flooding will not have a long term adverse impact on development potential

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				3. There are currently 32 ongoing projects which the Council is committed to. It is important that the Council's Management Team ensures project documentation is completed so that the resource implications can be determined and agreed control processes adhered to.	MAT	Ongoing	Project management team meets individual members of MAT on a regular quarterly basis to review management of projects.The Head of Planning and Housing strategy has now been appointed full time as the Staines upon Thames regeneration manager. Since her appointment the 5 work streams have been fully defined and documented. The current focus is on the promotional document work stream which has been extended to include a micro website. The completion date for this phase has been extended to November 2014 to cater for the extended remit. A sub-committee of the Cabinet has been established to oversee the progress of the programme. Overall there are 32 projects of different categories being tracked through the Project Office These are split into Priority, (12) Statutory, (3) Income (4) and Service. (13) (Appendix 2). Agile Working, Universal Credit and the Council Tax support scheme projects have all been closed in the last quarter. (LN May 14)
	7. Security / data breaches, resulting in system failure, Information Commissioner fines and reputational damage.	3	Back up and continuity arrangements managed by ICT and tested by Service Heads. ICT security policies in place. Personal Commitment statement required from all staff. ICT security group assess ongoing risks. ICT disaster recovery test satisfactorily conducted June 2012 and March 2014.	Information Governance Group developing action plan to ensure information assets are identified and managed.	Head of CG *	Ongoing	The Information Governance Group is developing an action plan to ensure information assets are identified and managed. In the absence of dedicated resources the progress made to date is limited and the associated risks have been highlighted to management.

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	8. Failure to meet the minimum security requirements of the Government Code of Connection resulting in termination of connection to any other government sites/data.	3	A review group assesses compliance with the Government Code of Connection (COCO). Firewall installed, laptops encrypted, memory sticks banned until they are 'white-listed' as known devices on the network, and universal serial bus (USB) ports locked down. Dual factor authentication on all laptops. Firewall review and external penetration test took place in December. The internal health check has taken place. Arrangements are now in place to ensure that required work groups are cleared to the Baseline Personnel Security Standard with additional employment checks undertaken as required for 2013 compliance and extending to further workgroups by 2015.		Head of ICT *	Ongoing	
			CoCo re-accreditation achieved in December 2013. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN). Migration to the PSN (public sector network) is scheduled for 27 March.	*A further submission has to be made by November 2014 where any outstanding issues will have to have been addressed.*	Head of ICT *	Ongoing	
	There is a risk that HR will be unable to complete the work for the 2014 BPSS checks in time for the 2014 CoCo submission date.		ICT/Human Resources liaison and head of service verification that GCSX mailboxes are required has commenced. And/or risk that		Head of HR	Ongoing	Human Resource time spent obtaining Baseline Personal Security Standard checks may diverted from other work/priorities.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	9. Loss or disruption to services / Lack of continuity planning / loss of building, equipment, ICT or staff / security incident at the council offices / Poor weather conditions.	3	Business Continuity Policy in place. The Business Continuity Forum oversees progress of business continuity planning. All Services should have up to date and tested Business Continuity Plans (see actions). Business Impact Assessments are complete. These identify priority services, resources required for their continuation and time frame. Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. An emergency messaging system for staff has been rolled out. Live loss and denial of access exercise for Knowle Green took place Sept 2013.	*Improvements have been made to telephony resilience.ICT disaster recovery test achieved. Business Continuity group met to discuss steps forward.*	Service Heads/MAT /RRM *	Nov 14 (O)	The Council's business continuity arrangements have been tested in the recent period of flooding when services were maintained despite some difficulties for staff getting to work and the need to divert staff to deal with flood issues. The Business Continuity group met to discuss updates and agreed a number of actions which are being progressed.
	10. Failure in service delivery due to over reliance on individuals	3	Service Heads/MAT are responsible for ensuring business continuity, including loss of key staff. Critical procedures should be fully documented and staff appropriately trained. Service Heads should review arrangements as part of the service planning process. In some cases resilience may be provided from other local authorities or other organisations.	MAT will be reviewing structures as part of the budget saving exercise, and consideration will be given to resilience and succession planning arrangements.	Service Heads/ MAT	Ongoing	MAT and Heads of Service have identified and addressed resilience issues in a number of service areas including: Accountancy, Customer Services, Asset Management, Housing Options, Economic Development. The Council's approach to flexible and remote working helps mitigate resilience issues.

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	11. Failure in service delivery due to reduced capacity and increasing demands from the community. Increased risk of delay, errors or stress.	3	Short term reductions in capacity due to increasing demand or absence of staff are accommodated by prioritisation and reallocating work amongst staff. Longer term impacts and changes to demand may be more difficult to address. Service review may be required to help match resources to the level of work. In some circumstances it is necessary to supplement staffing levels with additional temporary or permanent resource. Resources need to be diverted to implementing new systems or introduce new ways of working. The recent strengthening of project management support is an example. Staff have access to counselling via Occupational Health. If resources cannot be enhanced, services will have to prioritise work to resources available.	*Members and Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery.*	Service Heads/ MAT	Ongoing	MAT maintaining under review
	12. Low morale as a result of service demand, lack of staff & financial resources, organisational changes, future uncertainty etc. This increases the risk of losing expertise and impacting on the achievement of the Council's objectives. Delays in finalising the national pay award when neighbouring councils have implemented their pay awards could affect	3	There are a range of employment arrangements in place including recruitment and selection, pay and rewards, training and development. Other measures exist such as Change Management process clear communications, performance management systems, appraisals, one to one's, team meetings, performance clinics, staff meetings. A new tri-partite Pay Working Group was set up from December 2013 to consider arrangements and help identify any issues that require a changed approach. A tripartite pay group is meeting regularly to discuss officer pay.	*1: Management Team to keep under review.*	MAT	Nov 2013 (O) Jan 2014 (R) March 2014 (R) December 14	**MAT to review** Management Team will consider producing Workforce Strategy which would address recruitment and retention, rewards, training and development and performance management arrangements. Management and Members are promoting 'good news' stories including the ongoing provision of day to day services with limited resources. Further measures including a new Worforce Strategy will flow from the current transformation programme being undertaken by Management Team.
				2. A peer review is took place January 2014 and an action plan is being developed.	ACX LO	TBA	An action plan is being drafted by Management Team in consultation with the Leader.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	morale.			3. Staff survey	MAT/Head of HR * / ACX LO	Ongoing	Management Team have decided not to carry out a staff survey. Any staff issues to be considered as part of action plan following Peer Review / MAT meeting with staff groups.
	13. Failure to obtain value for money (vfm) / lack of transparency in awarding contracts. Contractual disputes and claims through poor specs. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage and challenge by other companies. Financial loss/poor vfm as a result of poor contract management	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct set out requirement for declaration of interests. Contract guidelines in place with compliance checklist. Legal team provide support on contract management as requested. Contract management training held in September 2012, although this was not attended by all relevant services. Legal Services have updated managers in July 2013. Performance measures and contractual safeguards in place Development of the e-procurement system continues and further contracts continue to be sourced with this solution which offers significant time savings and efficiencies for staff in Legal. Specification writing training has taken place.	1. Procurement, contract management and asset management expertise is limited across the authority.	MAT	Ongoing	Management Team has considered expertise and resources in these areas. Additional resource has been allocated to Asset Management. The Corporate Risk Management Group will continue to monitor.
				2. The new Surrey County Council parking agreement will be closely monitored by Financial Services as the authority will now bear the cost of any deficits whereas any surplus will be shared.	ACX (TC)*	Jun-14	Although the Head of Sustainability and Leisure has confirmed that regular monitoring of income takes place within her team, it has been agreed that Finance will be reviewing in future.
				3. There is a lack of horticultural expertise within Streetscene and therefore a risk that the Grounds Maintenance contract will not be effectively managed.	ACX (LB)	Ongoing	The Head of Streetscene has enrolled with a distance learning provider to take the RHS level 2 diploma exam. This will provide some internal expertise in order to strengthen the management of the grounds maintenance contractor. The Head of Streetscene attended Audit Committee to provide assurance on the measures taken to address potential risks relating to contract management.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	14. Pressures on Housing Service as a result of economic climate and welfare reforms including changes in government policy to restrict housing benefit. Introduction of Universal Credit may lead to staff retention issues. Loss of Housing Benefit subsidy and uncertainty over recovery of outstanding debt.	3	Service Heads/ MAT/Members are aware of risks. Working groups established to deal with the various changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy relating to recovery of Housing Benefit overpayments which will be fully realised if the roll out of Universal Credit is completed in 2017/18. The first year's impact is reflected in the 2013/14 budget and in medium term projections for future years. There is also uncertainty over recovery of the £1.5m of outstanding Housing Benefit overpayment debt which is currently in the Council's accounts. The bad debt provision has been increased in 2014/15. Cabinet has received updates on Welfare Reforms. This includes a suggested approach to the use of discretionary housing payments. Officers and A2D have been working with families affected by the benefit cap.	*1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.*	MAT/Joint Heads of H & IL*	Ongoing	There is a continual increase of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge duty. Matters have been compounded further recently through planning enforcement against our main bed and breakfast provider resulting in 16 households having to be moved. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this an "Advisor" has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere . Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency is due to be submitted to Cabinet. In addition MAT are supportive of quickly filling any posts which become vacant in the Housing Options team.
	Introduction of Council Tax Support scheme will impact on resources.		The new council tax support scheme took effect from April 2013 and has generated a number of small council tax debts, which are difficult and time consuming to recover, impacting on resources.	*1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.*		Ongoing	Collection rate for Council Tax was 98.5% as opposed to 98.7% of which collection rate for CTS payers was 76.1%. There was a 25% increase in recovery notices sentcompared to 2012/13 and a new temporary recovery assistant (28hpw)has been appointed to assist the recovery team with the increase in CTS (Council Tax Support) liability for 2014/15

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	15. Poor partnership governance arrangements	3	Review of strategic and internal partnerships undertaken. Partnership governance policy in place. Significant partnerships identified. Overview and scrutiny committee to periodically review partnerships. Insurance arrangements in place		MAT	Ongoing	
	16. Uncertainty over economic growth and supplier failure, impacting on: • Delivery of contracts and services • Business Rate income. SBC now bears a significant share of any losses on collection.	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners that the authority engages with. Recovery and inspection of business properties is being strengthened to maximise collection/minimise losses for the Council	*Impact of new Business Rate arrangements on Council finances is under ongoing review.*	ACX (TC) *	Ongoing	
			An Economic Development Strategy has been prepared after consultation with various external bodies. Communication of the vision, proposed actions and measures of success is taking place.	*Economic development is a Council priority and growth will impact on business rate income.*	ACX (TC) * CS & EDO*	Ongoing	Our LGA adviser (paid for by the LGA) will shortly be finalising reports on Inward Investment, Key Account Management and Attracting more visitors to the borough with recommendations for actions which are three important elements of the Economic Strategy.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	17. Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	3	Human Resources (HR) guidance on legislation and training to ensure compliance. The HR partnership with Runnymede has led to a reduction in professional HR support which could impact on the ability to identify and deal with employment law issues Equality and Diversity working group and training provided to all staff.		MAT/Service Heads/Head of HR*	Ongoing	The budget for a temporary Human Resources Officer has been secured until the end of March 2015 to help cover the professional HR workload. Professional Human Resources staff keep up to date with changes to employment and pensions legislation and report to Management Team and Members where changes are required
	18. Failure to comply with statutory duty / adhere to Safeguarding Policy leading to death or injury to child or vulnerable adult, legal action and reputational damage. Failure by County to address Spelthorne referrals relating to vulnerable children/adults.	3	The Council has updated its safeguarding policies and procedures. Details have been reported to Members. Staff and Members have received training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular meetings held with Surrey County Council and consultation with the Surrey Safeguarding Children's Board (SSCB). SSCB carry out a Section 11 audit annually. The Children's Safeguarding and Adult at Risk Strategies were approved by Cabinet October 2013. From 2015 the Council will have statutory responsibility for safeguarding adults.		ACX (LB)/LSM*	Ongoing	

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	19. Service delivery and planning difficulties due to reduction in Revenue Support Grant (projected fall by 80% from £2.5m to £0.5m over the next 5 years), top slicing of a portion of New Homes Bonus grant from 2015-16, along with the need to make significantly increased employer pension contributions.	3	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement	*Income generation projects must be successfully delivered and hard decisions will need to be made around prioritisation of budgets and how services are delivered. With diminishing capital reserves the Council will need to carefully prioritise capital projects*	MAT	Ongoing	
	20. Poor return on long term investments /investments insecure in current climate	3	Treasury Management Strategy approved by Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely. Council's investments managed internally in consultation with Arlingclose. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring and reporting of investment portfolio and returns achieved.		ACX (TC) *	Ongoing	The Council did better than budget by £129k for 2013-14. Outturn achieving an average rate of return of 5.12% on our core investment portfolio

| RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS
	21. Increased risk of fraud / theft due to economic climate resulting in financial losses and damage to reputation of authority. Housing tenancy fraud reduces availability of social housing.	3	Corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Code of Conduct including rules relating to gifts and hospitality, and declaration of interest. Staff are reminded about governance policies during appraisal process. Fraud awareness training for staff and Members in 2012 and leaflet issued. Implications of Bribery Act (July 2010) considered by services (raised in Fraud Awareness training). Various other policies and procedures such as Financial Regulations and Contract Standing Orders, management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures. Discussions with A2 Dominion regarding proactive measures to reduce housing tenancy fraud. Head of Audit Partnership working with Joint Heads of Housing and Independent Living to explore possibilities for new corporate fraud work.		Service Heads/ MAT	Ongoing	
	22. Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	3	Management is responsible for maintaining key services and internal controls regardless of resource levels. Any savings offered will be accompanied with summary of any associated risks.		Service Heads/ MAT	Ongoing	

*KEY TO OFFICERS

MAT - Management Team

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R) Ongoing	PROGRESS

Head of CS - Head of Customer Services, Linda Norman
Head of CG – Head of Corporate Governance, Michael Graham
Head of ICT – Helen Dunn
ACX (TC) – Terry Collier
Health and Safety Officer – Stuart Mann
ACX (LB) – Liz Borthwick
Head of S & L – Head of Sustainability and Leisure Services, Sandy Muirhead
Head of SS – Head of Streetscene, Jackie Taylor
ACX (LO) – Lee O'Neil
Head of AM & OS – Head of Asset Management and Office Services, Dave Phillips
Head of HR – Head of Human Resources, Jan Hunt
CM- Contract Managers
Joint Heads of H & IL – Joint Heads of Housing and Independent Living, Deborah Ashman and Karen Sinclair
LSM - Leisure Services Manager, Lisa Stonehouse
RRO – Risk and Resilience Officer, Nick Moon
CS & EDO – Community Safety and Economic Development Officer, Keith McGroary

*KEY TO RAG RATING

Actions outstanding
Partially actioned/Requires monitoring
Completed/Ongoing monitoring

*KEY TO TARGET DATES

* O = Original target date for assigned action
* R = Revised target date for assigned action

Audit Committee

26 June 2014

SPELTHORNE
BOROUGH COUNCIL

Title	Internal Audit Annual Report		
Purpose of the report	To note		
Report Author	Head of Audit Partnership		
Cabinet Member	Councillor Tim Evans	**Confidential**	No
Corporate Priority	Value for money Council		
Cabinet Values	Accountability		
Recommendations	The Audit Committee notes the Internal Audit Annual Report.		

Key issues

1.1 Attached at <u>Appendix 1</u> is a summary of Internal Audit reviews undertaken in 2013/14 and details of other work undertaken by the team. Reports were issued during the year to Assistant Chief Executives and Heads of Service, and included recommendations aimed at reducing risk and strengthening internal control.

1.2 A progress report was submitted to the Audit Committee in December 2013.

1.3 Internal Audit continued to have a constructive working relationship with the Council's appointed external auditor, KPMG.

1.4 In addition to giving assurance on the adequacy of controls as set out in the reports in Appendix 1, Internal Audit has assisted the organisation in achieving its objectives through other aspects of its work which are listed below and detailed in the Appendix:

(a) Advice has been requested and provided to most services on various risk and control issues

(b) Counter Fraud initiatives

(c) Corporate Governance and the Annual Governance Statement

(d) Confidential Reporting (Whistleblowing) Code and Anti-Fraud, Bribery and Corruption Policy

(e) Attendance and advice to Corporate groups as set out in Appendix 1

(f) Non audit Investigations – the Audit team carried out a number of investigations on behalf of management.

(g) Corporate Risk Management – see separate risk report. Audit provides advice to the Corporate Risk Management Group (CRMG) and co-ordinates the Council's corporate risk register.

1.5   The implications of the new Public Sector Internal Audit Standards have been assessed and reported separately to Audit Committee.

1.6   Auditors have attended various in-house and technical training events to support their ongoing development needs.

1.7   The Internal Audit Partnership with Elmbridge continues to deliver efficiencies and ongoing savings for the two authorities. Staff have worked across the authorities on a number of projects and continue to share information, for example work undertaken on financial systems and the joint Supporting Families initiative. Spelthorne has continued to sell ICT audit expertise to Woking and Elmbridge.

1.8   Appendix 1 summarises the work of Internal Audit for the year 2013/14 and where appropriate, assurance levels provided.

1.9   Head of Audit Partnership opinion is as follows:

The overall opinion is that the Council's internal control environment is generally adequate and effective.   This is based on the work undertaken by Audit Services during 2013/14 which is summarised in this report.

Any shortcomings identified with a significant level of risk attached have been transferred onto the Council's Corporate Risk Register for quarterly monitoring by Management Team and the Audit Committee.

Options analysis and proposal

1.10   There are no options.

1.11   Implementation of audit recommendations will reduce risks for the authority. Failure to undertake internal audit work to the required standards would lessen the Council's assurance that effective control systems are in place and could result in an increase in the Council's annual external audit fee.

Financial implications

1.12   Not applicable.

Other considerations

1.13   Not applicable.

Timetable for implementation

1.14   Not applicable.

Background papers:

Appendices:
Appendix 1 – Summary of Internal Audit work 2013/14

Appendix 1 - Summary of Internal Audit work 2013/14

Audit Review	Assurance Level	Comments / Agreed areas for improvement
Debtors	Some Improvement Needed	• Management review of credit notes, suppressed accounts and suspense accounts to be implemented. • Revised recovery procedures/ responsibilities to be documented. • Invoices to be raised in a timely manner.
Creditors	Some Improvement Needed	• Several issues remain outstanding as responses from Head of Service awaited. • Purchase Orders should be raised at time of order not when invoices received. • Some authorising officers need greater understanding of what they are approving. • Purchases should not be made on personal credit cards. • Council credit card holders should not allow other staff to use cards. • Finance officers should review credit card expenditure and query purchases as necessary. • Business continuity arrangements should be tested.
Housing Benefits	Some Improvement Needed	• Updated procedure notes and staff training required for reconciliation processes, debt management/recovery of overpayments arrangements. • Updated health and safety policies and business continuity arrangements are required.
Payroll/Human Resources	Some Improvement Needed	• Whilst segregation of duties is difficult to achieve in a small team, the potential risks associated with the Payroll Officers both having system administrator access have been highlighted. • Evidence to be obtained of Disaster Recovery testing undertaken by the host authority (Tandridge Council). Management are considering adequacy of business continuity arrangements. • Mileage claims should be submitted promptly and in the correct financial year.
ICT	Some Improvement	• Management should audit council owned laptops.

	Needed	• Updated policy/guidance required for systems administrators.
Asset Register/Capital Accounting	Some Improvement Needed	• Management to set up schedule in advance for revaluation of assets. • ICT to complete asset register and send to Finance twice a year. • Physical verification/reconciliation of all assets to be evidenced and dated on asset register.
Procurement	N/A – significant risks arising from preliminary audit work transferred to Corporate Risk Register.	The following issues have been raised in the Corporate Risk Register: • Procurement, contract management and asset management expertise is limited across the authority. (This is particularly relevant to the Grounds Maintenance contract and some asset related contracts). Management Team has considered expertise and resources in these areas and agreed measures to strengthen arrangements. • Periodical reminders to be issued to all services about the need to comply with Spelthorne's procurement procedures and Contract Standing Orders when appointing contractors.
Grounds Maintenance	Some Improvement Needed	Management was advised to: • Consider developing horticultural expertise to assist with the management of the Grounds Maintenance contract. • Improve the control of contractual variations. • Develop documentation of guidance for contract management. • Finalise leases with the contractor.
Vehicles	Some Improvement Needed	• Contract arrangements for the repair of non-leased vehicles require approval in accordance with Contract Standing Orders. • The review period recommended by the Health and Safety Officer for driver licences is to be implemented.
Customer Services	Some Improvement Needed	• Resilience risk relating to Head of Customer Services to be addressed. • Need to deliver further efficiency savings through the transfer of further functions to Customer Services. • Improved security recommended. • Clarification over public liability cover required for hall bookings. • Need for corporate records of all complaints received/processed.

Licensing	Effective	Audit has raised concerns about the legitimacy of street charity collections with the Charity Commission and National Anti-Fraud Network.
Housing Options	N/A	Follow up of previous recommendations satisfactory.
Supporting Families	N/A	Review of documentation requested by management.
Community Safety	Some Improvement Needed	- Health and Safety risk assessments need to be updated. - GCSX to be used for exchange of confidential information. - Job descriptions to be updated. - Business continuity plan to be updated regularly and tested.
Parking	Some Improvement Needed	- On-street income from PCNs requires regular monitoring by Finance. - Pay by phone income should be reconciled by Finance. - Monitoring of season ticket income should be re-instated. - Debt registration had not been undertaken in 2013/14 and will be resumed. - PCN write offs need appropriate approval. - Parking Service vehicle usage should be monitored. - Complaints are not logged centrally and responses are not monitored. - The Senior Car Park Administrator requires an up-to-date job description. - Cancelled PCNs require independent approval.
Independent Living	Some Improvement Needed	- Delivery notes should be signed. - The Business Continuity Plan needs to be updated and tested. - A formal performance management process is to be implemented.
Insurance	Some Improvement Needed	- Corporate Risk Management Group (CRMG) meetings should take place quarterly. - Action plans should be in place to enable CRMG to monitor progress. - Opportunities to benchmark and share information will be explored. - The officer responsible for insurance reports to ACX (Lee O'Neil) for his Health and Safety role but to ACX (Terry Collier) for insurance functions. Service Planning and performance monitoring for the insurance functions should be managed by ACX (TC).

		• A system is required to identify and plan where inspections are required. • The officer responsible for insurance requires an up-to-date job description. • Payments relating to insurance should be approved by ACX (Terry Collier) and not by officers in ACX (Lee O'Neil) service. • A business continuity plan is required for insurance services. • Following a recent tender of insurance services which resulted in a 35% increase in premiums, the ACX (Terry Collier) will be obtaining independent advice regarding future arrangements. • A review of property cover has been recommended to ensure the levels represent reinstatement costs.
Continuous Auditing - ongoing review of risks and provision of advice	CRM (Customer Relationship Management system), Town Centre Developments, Ashford car park, Stanwell, Human Resources/Payroll system, Airport Parking, Knowle Green heating, Welfare Reforms, Laleham Park.	
ICT Audit Woking	Sale of ICT audit expertise.	

ASSURANCE KEY:
Effective - Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed - A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory - Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.

Other Audit Work	Comments
Advice/Misc	Mayoral, remote working, insurance matters, customer services, Business Continuity, Staffing reports/matters, Management Team Reports assistance to external audit, theft of mobile phone from offices and various other matters.
Counter fraud activities	Member of the Corporate Fraud Working Group considering the management of fraud risks and the implementation of the Single Fraud Investigation Service. Joint work with Head of Housing and Independent Living and A2D to consider measures to tackle housing tenancy fraud. Circulation of national fraud intelligence to relevant officers.
Corporate Governance	Audit Committee report on the Effectiveness of the System of Internal Audit, review of corporate governance matrices and contribution to the Annual Governance Statement.
Student Exemptions	A review of all 56 properties in receipt of 100% student exemption from council tax was undertaken. As a result 7 of the 56 have been suspended or cancelled. The investigations are ongoing in conjunction with the Housing Benefit Fraud Officer.
Non-audit investigations	Internal Audit has assisted in 6 staff investigations on behalf of management. These have taken considerable time.
Information Management/ confidential waste	Review of confidential waste disposal arrangements and attendance/support to Information Management Group.
Corporate work and working groups	Corporate Debt, Information Security Risk, ICT Service Improvement, Uniform User, Finance and Revenues, Information Governance and Corporate Risk Management.
Shared Services	Discussions have taken place with other authorities with a view to exploring wider partnership opportunities.
Public Sector Internal Audit Standards	The implications of the new standards have been assessed and reported separately to Audit Committee. A new Audit Charter has been approved and a Code of Ethics for Staff issued.
Corporate Risk Management	See separate Corporate Risk report. Audit provides advice to the Corporate Risk Management Group and co-ordinates the Council's Corporate Risk Register.
Audit Committee	Preparation of reports, Management Team/committee attendance, various meetings, committee follow up action and correspondence.
Miscellaneous	Meetings (staff, corporate, senior management), audit planning, liaison with external audit, budget monitoring, processing contract payment certificates, Service Planning, performance management, health and safety issues, Business Continuity Planning and various other tasks. Audit staff supported management in the Council's response to flooding.

WORK PROGRAMME 2014 – 2015

AUDIT COMMITTEE - 26 JUNE 2014

Resolution Required

1.   Work Programme

1.1   This report covers the Work Programme for the remaining 2014/15 municipal year.

1.2   The Committee's terms of reference are set out at the front of the agenda.

2.   Current Work Programme

2.2   Further meetings of this Committee have been scheduled in the Council's Diary for 2014 -15 on the following dates:-
   - 18 September 2014
   - 11 December 2014
   - 26 March 2015

2.4   Details of the Work Programme for the remainder of the year are as follows:

26 June 2014		
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates as requested by Audit Committee
Internal Audit Annual Report	Head of Audit Services	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer /Audit Committee	Report

18 September 2014		
External Audit report on Audit and Statement of Accounts	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate Risk and Resilience Manager – Flood Summit Head of Corporate Governance – Information Governance	Updates as requested by Audit Committee
Annual Governance Statement	Chief Finance Officer	Report
Report on the Effectiveness of the System of Internal Audit	Head of Audit Services	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

11 December 2014		
External Audit Annual Audit Letter	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates as requested by Audit Committee
Internal Audit Interim Report	Head of Audit Services	Report
Anti-fraud, bribery and corruption Strategy	Head of Audit Services	Review
Confidential Reporting Code	Head of Audit Services	Review
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

26 March 2015		
External Audit Plan	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates as requested by Audit Committee
Internal Audit Annual Plan	Head of Audit Services	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

2.6 Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.

2.7 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Work Programme.

2.8 External audit may have one or two reports that arise from time to time   which are not possible to predict in advance but will be incorporated into the   Work Programme or appear on the agenda as appropriate.

2.9 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3. Resolution

The Committee is asked to consider and approve the Work Programme as submitted and/or amended at the meeting.

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